

COMMISSIONERS

Robert "Bob" Burns - Chairman
Boyd Dunn
Sandra D. Kennedy
Justin Olson
Lea Márquez Peterson



LEA MÁRQUEZ PETERSON
COMMISSIONER

(602) 542-3625 desk
(602) 463-3814 text
LMarquezPeterson-Web@azcc.gov

ARIZONA CORPORATION COMMISSION
OFFICE OF COMMISSIONER LEA MÁRQUEZ PETERSON

August 17, 2020

RE: In the matter of Summer Preparedness for the Year 2020.
(Docket No. ACC-00000A-20-0069)

Subject: California Rolling Blackouts and Price Spikes

Dear Chairman Burns,

As California makes national headlines over the weekend due to rolling blackouts from record heat across the state, I am writing to express concerns about the potential for a similar situation occurring in Arizona. I am requesting an emergency meeting to discuss this issue with our fellow commissioners and Arizona's energy service providers.

As of August 16, 2020, a "flex alert" was sent to customers across California asking households to conserve energy between 3 PM and 10 PM in the hopes that enough energy could be conserved to limit "Stage 3" rolling blackouts.¹ Unfortunately, these efforts did not preempt two million people from losing power over a four hour period on Friday, August 14.² Additionally, on Saturday, August 15, over 352,000 customers, or roughly one million people, were forced into a blackout.³ The scale of these incidents in California had not been seen since 2001. The thought of imposing similar, personal energy restrictions on Arizonans' use of air conditioning and appliances during the summer heat, while citizens are staying home due to COVID-19 and relying on electricity to preserve their personal comfort, convenience, health, and safety, is unfathomable at this time.

As you know, Arizona is experiencing the same extreme heat patterns that are being seen in California and other parts of the West—as Phoenix hit temperatures over 110 degrees for the 41st day this year,⁴ making summer 2020 the hottest summer ever recorded.⁵ At the same time, the COVID-19 pandemic means millions of Arizonans are sheltering in place within their homes to stay healthy and safe, causing residential energy demands to increase between 4 to 6 percent since March 2020 in areas served by our largest electric utilities, such as APS and TEP.⁶ I am truly concerned for Arizonans, should a blackout and the need to stay home collide.

Adding to my concerns are the implications regarding the cost of ensuring that we have enough energy

¹ Leila Miller, [California begins rolling blackouts after first Stage 3 emergency since 2001](#), LOS ANGELES TIMES (Aug. 14, 2020).

² Mark Chediak, David R Baker, & Brian Eckhouse, [First Fires, Now Heat: Millions of Californians Back in the Dark](#), BLOOMBERG (Aug. 15, 2020).

³ *Id.*

⁴ See [Phoenix, AZ Monthly Weather Forecast](#), THE WEATHER CHANNEL (last visited Aug 17, 2020).

⁵ Kaila White, [It's official: This is Phoenix's hottest summer ever recorded](#), AZ CENTRAL (Aug. 11, 2020).

⁶ See [Commission Establishment of a Process to Track Financial Impacts of COVID-19 on Regulated Utilities and Utility Customers in Arizona](#), Docket No. AU-00000A-20-0094: [Response to Commissioner Lea Marquez Peterson's Request for COVID-19 Energy Usage Data from Arizona Public Service Company](#) (Jul 1, 2020); [Response to Commissioner Lea Marquez Peterson's Request for COVID-19 Energy Usage Data from Tucson Electric Power](#) (Aug. 14, 2020).



supplies to meet our heat-related demands and prevent the kinds of blackouts we are currently observing in California. While my office has contacted Arizona's largest electric utilities over the weekend to obtain assurances that similar energy restrictions would not be needed in Arizona, I have concerns about the cost of those assurances on Arizona's rate paying customers and of the underlying circumstances that lead to these emergencies in other states.

Last year, for example, the state of Texas experienced record-setting electricity prices as summer heat and low reserve margins, among other factors, caused prices to rise rapidly. While rolling blackouts didn't make headlines, regulators and customers across the nation instead saw headlines of nearly double⁷ and triple⁸ electricity prices, as rates soared as high as \$9,000/MWh⁹ as a "heat wave bake[d]" the state. While the blackouts seen in California are not a future that Arizonans want to see, the price spikes seen in Texas to prevent such blackouts are not a future that Arizonans want to see, either. We should be concerned with the cost implications of meeting high, heat-related demands, as well, and need to be aware of the steps Arizona's utilities are taking to ensure that the cost of meeting these demands during our hottest summer months remains low.

Lastly, I have outstanding questions regarding the benefits and drawbacks of different energy mixes and what resource planning challenges Arizona will need to overcome if it is to seriously take advantage of its most abundant and domestically produced natural resource in the state (solar), without putting its customers at risk of the same blackouts and price spikes we've seen in California and Texas.

As you know, the Corporation Commission is currently debating the details of a clean energy policy, which includes a call for 100 percent of customers' energy demands to be met by clean energy resources by 2050. The pending rules and several amendments to them also give Arizona's regulators an opportunity to have more oversight over the utility procurement process, which should help to keep costs low for Arizona's customers. Together, the pending energy rules must move forward if Arizona is going to provide business certainty and an economic advantage for the state following COVID-19.

However, while renewable energy resources such as solar photovoltaics are and should be a key component of our pending policy efforts, the headlines above have also indicated that the events that caused prices to soar in Texas and rolling blackouts to occur in California included shortfalls in energy supply that were related to the intermittency of renewable energy resources, which cannot generate power upon demand by electric utilities. In one of the articles covering the 2019 summer price spikes in Texas for example, the author noted that "high temperatures and load are not always correlated with strong solar generation" and that solar production was actually down 8% at the time when the state needed additional energy the most.¹⁰

So, while Arizona's utilities have projected that renewables will comprise as much as 45 to 70 percent of their respective energy mixes by 2035, the events in California and Texas also suggest that we must use wisdom in our approach to integrating intermittent clean energy resources in the state, to procuring additional energy resources that can address periods of high demand, and to planning for sufficient reserve capacity if we are to ensure that Arizonans' comfort, convenience, and costs can be protected

⁷ Scott DiSavino, [Texas power prices almost double as heat wave boosts demand to record high](#), REUTERS (Aug. 7, 2019).

⁸ Scott DiSavino, [Texas power prices triple as heat wave expected to boost demand to record highs](#), REUTERS (Aug. 7, 2019).

⁹ Scott DiSavino, [Texas Power Prices Briefly Soar to \\$9,000/MWh as Heat Wave Bakes State](#), REUTERS (Aug. 14, 2019).

¹⁰ Travis Whalen & Manan Ahuja, [Will ERCOT summer prices see a repeat of 2019 fireworks?](#), S&P GLOBAL PLATTS INSIGHT (Jun. 24, 2020).



against extreme heat conditions. Seeing what has happened in California and Texas brings a need to address the potential for the same problems to occur here in Arizona. We need to be prepared not only for safety and reliability, but also for cost and reliability.

Arizonans simply cannot afford to turn down their air conditioners during record temperatures, nor can they afford triple the price for energy shortfalls when existing resources are insufficient.

I ask that you schedule an emergency meeting to get additional updates from our utilities to discuss our energy outlook in Arizona amidst record setting temperatures and stressed energy grids. I believe it is our duty as a Commission to address the potential for power shortages before they happen and to ask our utilities to respond as necessary to our call.

In this meeting I wish for our utilities to discuss their current energy outlook across their service areas, what measures are in place to ensure that similar energy shortages do not occur, and what contingency plans are in place to minimize the number of households that could be affected by potential blackouts. In addition, I would like to discuss how Arizona's effort to transition to a cleaner energy mix can move forward without impacting reliability and the future of our energy availability and costs across Arizona.

Thank you,

A handwritten signature in blue ink that reads "Lea Márquez Peterson".

Lea Márquez Peterson

Commissioner

